

**WETEC**

WHEAT EXPORT TRADE EDUCATION COMMITTEE
Suite 300, 415 Second Street, N.E.
Washington, D.C. 20002 Telephone: (202) 547-2004



**National Association of
Wheat Growers**

415 Second St. NE, Suite 300
Washington, DC 20002
(202) 547-7800 Fax (202) 546-2638



**U.S. WHEAT
ASSOCIATES**

1620 Eye St. NW, Suite 801
Washington, DC 20006
(202) 463-0999 Fax (202) 785-1052

**Testimony of Christopher Shaffer
On behalf of the
Wheat Export Trade Education Committee,
National Association of Wheat Growers
And
U.S. Wheat Associates**

**To the Committee on Agriculture
U.S. House of Representatives**

**The Agriculture Trade Negotiations on the Doha Development Round and
Expectations of the Sixth WTO Ministerial Conference**

November 2, 2005

Good morning Chairman Goodlatte, Ranking Member Peterson and members of the Committee. I am Christopher Shaffer. I grow wheat and garbanzo beans on my farm in Walla Walla, Washington. I currently serve as the elected grower spokes person for the three wheat organizations for the World Trade Organization negotiations. I am also the past Chairman of the Wheat Export Trade Education Committee and U.S. Wheat Associates. Today I am also speaking on behalf of the National Association of Wheat Growers.

Like most producers, I must look to every possible avenue to find ways to not only break even but hopefully, in some years, to show a profit and buy-down my farm debt. This is becoming harder and harder – and like so many in agriculture, I am constantly looking for new and creative ways to market my products.

Producers must look to every tool available. One set of the tools that receive little attention, day in and day out, are the trade rules that create opportunities to develop markets around the world. We in the wheat industry are more closely tied to our international customers through the overseas offices of U.S. Wheat Associates, than some other sectors. We strongly support agreements that are fair and expand our market opportunities.

Let me highlight two points that are important to wheat producers in the United States when we look at world market opportunities:

- First, 96 percent of the worlds' consumers live beyond our border. The four percent within the United States cannot consume enough wheat to sustain a viable

wheat industry that offers the variety and quality of products that are now available to our customers.

- Second, we consistently export nearly 50 percent of our total production.

As you can imagine, our success or failure hinges on the ability of U.S. wheat to be exported around the world. Trade is a vital component for ensuring the financial viability of U.S. wheat farmers. Fair and open trade agreements are key to reaching customers outside of the U.S.

I believe without question that the Doha Development Round offers us the greatest single opportunity to expand our customer base. However, at the same time it poses several challenging dilemmas to you (the lawmaker) and me (a U.S. wheat producer).

As a trade-dependent commodity, the success or failure of my industry hinges on our ability to expand U.S. wheat export markets. At the same time I must be able to convince my banker that there is a reliable safety net if the markets fail.

The U.S. wheat industry has consistently supported an aggressive approach in all trade negotiations that remove trade barriers worldwide. Multilaterally through the World Trade Organization (WTO), the Hemispheric Free Trade Area of the Americas and current and future bilateral Free Trade Agreements provide global opportunities to solve trade problems. With these opportunities come responsibilities. Each of us, and the organizations we represent, must find ways to cooperate and bring workable solutions to the table. And I cannot stress strongly enough that NOW IS THE TIME to make the WTO work for us. The clock is ticking.

It is no secret that the Trade Promotion Authority clock is running and the world recognizes the importance of concluding the WTO negotiations before TPA expires. I believe our negotiators want to bring you an agreement that is good for agriculture and the entire U.S. economy before TPA expires.

The U.S. has made aggressive attempts to keep the WTO Doha Round alive. It was the U.S. that caused a viable framework to be developed during the last Ministerial meeting in Doha, Qatar. Once again our negotiators have pushed forward with a proposal that put the world on notice that the U.S. is serious about these negotiations and about opening the world's markets. They are also serious about our trading partners coming forward with proposals that would provide true market liberalization both in the developed and the developing countries.

While the U.S. wheat industry has a number of concerns with the bold approach taken by our negotiators, it is clear that further progress in this round rests with the European Union and a few other Members. It is amazing that these developed countries are apparently willing to jeopardize these important negotiations in order to protect their producers from fair market practices. Our market is open, we ask for fair access in return.

Creating trade is a critical step to improving developed and stabilizing developing economies. I know of no study that shows growth results when markets are closed, quite the contrary is true. Our Smoot-Hawley Act taught the United States this valuable lesson. The U.S. wheat industry has long held a clear set of goals for these negotiations. A copy of our issues paper is included in the written testimony. Today I appreciate the opportunity to review them briefly. Each of the three agriculture pillars under negotiation is important to the United States wheat industry.

We rely heavily on our domestic support programs and are extremely concerned that other subsidy users are disciplined. To gain new markets we must have aggressive action in the market access, tariff lowering, pillar. The issues in the export competition pillar, state trading monopolies, food aid and export credit programs, all impact our ability to be competitive.

By its magnitude the Administration's proposal to cut 60 percent from the U.S. trade distorting domestic support or Amber Box programs, and a cut of 2.5 percent to the Blue Box cap, certainly surprised the wheat industry. We had been conditioned to think more in terms of a possible 50 percent cut, and even that level did not have our unqualified support.

This offer to remove such a large portion of support programs comes at a universally difficult time for American farmers and ranchers. It is difficult to envision giving up any programs when faced with yet unknown highs in fuel and other input costs and low market prices coupled with continued trade challenges from our competitors. However, it is difficult to see how we as growers can prosper unless we open markets and expand our customer base with those beyond our borders.

The U.S. wheat industry has been a strong supporter of the administration's ambitious agenda to expand world market access. But, we must also be realistic and recognize that there is a need for access to safety net programs that keep the industry viable.

We recognize the complexity of creating a new Farm Bill, which can only be written by Congress, and reaching an agreement with our trading partners to open markets that is written in an international arena. Everyone is pulling and pushing in different directions and some are fighting to hold on to what they have always known. It will take a lot of intestinal fortitude by all and faith that the good of the industry is at the heart of any negotiation.

The wheat industry recognizes that there must be change. We depend on our farm support programs and at the same time we desperately need the opportunity to increase our share of the world market. To make this happen we know that we may have to accept changes in some of our programs in exchange for others lowering their tariffs and other barriers that they want to maintain. This may be challenging to all sides, but it will be necessary if all of us in the WTO are going to have a chance to grow economically. We look forward to working with you Mr. Chairman to ensure that whatever changes have to be made will ultimately be good for producers.

However, one thing is for certain: if the U.S. wheat industry is going to accept painful changes in the U.S. domestic support system, it must see major results in other areas of the negotiation that are important to us. It should be apparent from my comments to this point that obtaining major improvement in access to world markets is a very high priority for us in these negotiations.

With the U.S. having made such a bold move on domestic support, I must say we were frankly disappointed in the EU response, made public on Friday, October 28, as it relates to market access. The new EU market access proposal does not come close to the kind of tariff cuts proposed by the United States. In fact it does not even match the tariff cuts proposed by the G 20, a group of developing countries. Most disturbing of all is the EU proposal to allow for 8 percent of tariff lines to be designated as sensitive products. Such a large sensitive product designation would effectively wreck chances for any real trade liberalization as part of the Doha Development Agenda. If the EU wants to these trade negotiations to succeed, in our view their agricultural market access current proposal is simply inadequate.

The wheat industry is watching closely to make sure the U.S. Doha negotiations result in reform of the trade distorting practices used by our competitors. Real, measurable and parallel benefits must be achieved in market access along with true disciplines that remove the monopolistic practices of export state trading enterprises. U.S. food donation and useful export credit programs must be protected.

I am very pleased that the U.S. put forward a comprehensive proposal and remains focused on a single undertaking. There is call for a strong response to the U.S. proposal on domestic supports. Most of the focus is on market access, but it is critical remember that all pillars of the negotiations are dependent on the components of the others. This is especially true for the wheat industry.

Lowering tariffs is only part of the picture. We not only need greater market access via lower tariffs but we must also eliminate the unfair and non-transparent practices of monopoly traders that under cut us to gain market share.

The wheat industry also needs very strong disciplines that eliminate trade-distorting practices that are only practiced by export state trading monopolies. Until this happens U.S. wheat always stands the risk of being undercut in markets even if the tariffs are lower. We have no way to counter monopolistic practices that are illegal here

I also must say a word about food aid and the continued call of the EU for cash only programs. It is unconscionable for the EU, Canada and others who have never come near the level of humanitarian aid given by the U.S. to demand that we end programs in the name of eliminating export subsidies. Since the late 1980s the U.S. has given nearly 60 percent of all global food aid donations. The average share of EU donations has slipped from 22.5 percent in the late 80s to just over 17 percent in 2000-02.

- The U.S. is the most generous food aid donor by far. Our programs are not subsidies.
- We strongly support programs that distribute food aid to those in need without distorting local markets in the recipient countries.
- More not less food aid is needed. One way to make this possible is to repeal the cargo preference requirements and use the saved transportation dollars on more food purchases.

We believe that the number of hungry people would only increase if cash only donations were to become a reality. There would be less support from those in the U.S. who traditionally support our humanitarian programs. We must keep the food in food aid or more will go hungry.

Finally, another critical element that we are very pleased to see in the new proposal is a demand for litigation protection for programs that stay within their commitments. No future agreement will have any meaning unless there is predictability against future WTO challenge to programs that meet commitments. There must be a safe harbor for those countries that abide by their commitments. The cotton case has proven that there is nothing reliable in an agreement if compliance does not protect a country's programs.

In conclusion, the industry depends on export markets for up to fifty percent of all sales and supports the WTO negotiations as the most effective way to remove trade barriers. However, it will be impossible for the industry to unilaterally disarm. In order to accept any package that causes changes in our domestic support structure U.S. wheat growers must see success and harmonization in the all three trade pillars.

The wheat industry looks forward to working with you and the Administration as the WTO debate, hopefully, moves forward and as the new farm bill is structured to continue to provide a reliable safety net.

Thank you for the opportunity to appear before you today and I look forward to your questions.